



OFFICE OF  
INSURANCE COMMISSIONER

In the Matter of

The Financial Examination of  
**VISION SERVICE PLAN**

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No. G06-59

FINDINGS, CONCLUSIONS,  
AND ORDER ADOPTING REPORT  
OF EXAMINATION

A Registered Health Care Service Contractor.

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**BACKGROUND**

An examination of the financial condition of **VISION SERVICE PLAN** (the Company) as of December 31, 2004, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on October 11, 2006. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

**FINDINGS**

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 12 of the report.

VISION SERVICE PLAN  
Order Adopting Examination Report  
November 2, 2006

## CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **VISION SERVICE PLAN** and to order the Company to take the actions described in the Comments and Recommendations section of the report. The Commissioner acknowledges that the Company may have implemented some of the Comments and Recommendations prior to the date of this order. The Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

## ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Comments and Recommendations contained in the examination report on pages 1-3.

1. It is ordered that the VSP Group consider implementing an internal audit department to perform periodic internal audits and tests of the IS systems. The internal audit department should report to the Board of Directors or an appropriate committee of the Board of Directors. Comments and Recommendations 1, Examination Report, page 2.
2. It is ordered that the Company consider access to the computer facility without an escort be restricted only to those individuals who have specific job functions within the computer facility. Comments and Recommendations 2, Examination Report, page 2.
3. It is ordered that the Company consider access to the claim check stock be restricted to a limited number of appropriate individuals in a secured and locked environment. Comments and Recommendations 3, Examination Report, page 2.
4. It is ordered that the Company consider the inventory of IS equipment be maintained and under the control of someone outside of the IS Department. Comments and Recommendations 4, Examination Report, page 2.

5. The Company is ordered to consider that managers review the access rights and security levels of their staff on an annual basis to ensure the access rights and security levels are commensurate with job responsibilities. Comments and Recommendations 5, Examination Report, page 2.
6. It is ordered that the VSP Group consider taking a more proactive/preventive approach towards securing its IS system and protecting patient records. Comments and Recommendations 6, Examination Report, page 3.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

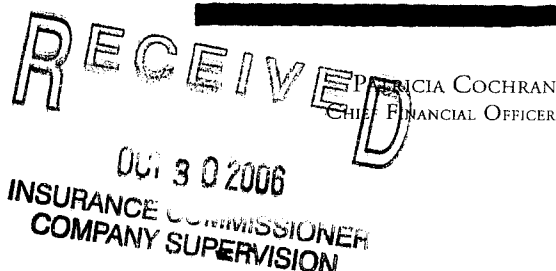
ENTERED at Olympia, Washington, this 2nd day of November, 2006.

A handwritten signature in black ink, appearing to read "Mike Kreidler", is written over a faint circular stamp.

MIKE KREIDLER  
Insurance Commissioner

October 27, 2006

James Odiorne  
State of Washington Insurance Department  
P.O. Box 40255  
Olympia, WA 98504-0255



Dear Mr. Odiorne:

We are in receipt of the examination report of Vision Service Plan as of December 31, 2005. We offer the following responses to the comments and recommendations set forth in the report.

1. Internal Audit Function  
The company's internal audit function focuses on claim processing controls and results, as well as fraud and billing errors. We currently have a SAS 70 review under way by KPMG which will address the audit and tests of the IS systems which you recommend.
2. Access to Computer Facility  
Since the time of the onsite audit, we have reviewed the computer facility access list. The unescorted access list was reduced to only those individuals who have a specific job function within the computer facility. Additionally, each escorted visitor is now required to sign in before being allowed to enter the computer facility. We review the computer facility access list every quarter.
3. Storage of Check Stock  
Since the time of the onsite audit, VSP has developed floor plans to install a secure caged area within the computer facility that will house the check stock. The caged area will be locked at all times and only accessible by a limited number of individuals that require access to the check stock as part of their specific job function. The installation is to be completed by the end of 2006.
4. Inventory of IS Equipment  
VSP's Asset Management area is responsible for managing the inventory of VSP's IS equipment. While Asset Management is within the IS division, it is an entirely separate business area from IS Operations and it is located in a different physical location. We believe that we do have the proper segregation of duties and controls over our IS equipment.
5. Manager Review of Access Rights and Security Levels  
Since the time of the onsite audit, VSP has begun a project that requires business area managers to review the access rights and security levels of each of their employees. Several business units have completed their reviews with the entire organization to be completed by the end of the third quarter of 2007. Audits will be conducted annually thereafter, once the project is completed.

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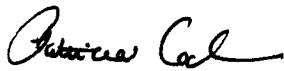
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6. Intrusion Detection System

Since the time of the onsite audit, VSP hired a third-party security firm to assist in determining what the appropriate Intrusion Detection System (IDS) should be for our environment. We have since purchased an IDS. VSP's IDS solution uses Cisco's 4240 Appliance IPS/IDS-K9 and is managed using Cisco's MARS 50 CS-K9 management system.

Please let me know if you have any questions about our responses.

Cordially,

A handwritten signature in black ink, appearing to read "Patricia Cochran", with a stylized flourish at the end.

Patricia Cochran

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